DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/25/2012
POSITION: Oppose

BILL NUMBER: SB 1410
AUTHOR: Hernandez, Ed

BILL SUMMARY: Independent medical review.

This bill would modify the external Independent Medical Review (IMR) process established for individuals enrolled in plans and policies licensed by the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI) by enhancing the knoweldge and experience requirements of clinical reviewers and requesting additional patient demographic information, as specified. This bill would take effect on the latter of January 1, 2013 or the termination date for each of CDI or DMHC's existing contracts with their Independent Medical Review program consultants.

FISCAL SUMMARY

The Department of Managed Health Care (DMHC) would incur one-time costs of $128,000 equivalent to 1.0 position in 2012-13 associated with modifying existing PDF and online IMR application forms, and modifying existing internal databases to include new IMR fields. This bill's provisions relating to ongoing costs would become effective June 29, 2013 when DMHC's contract their current IMR contractor expires. Thus, DMHC would incur ongoing costs of $103,000 equivalent to 1.0 position annually beginning in 2013-14 related to additional IMR data entry and posting new IMR data to DMHC's website. In addition, SB 1410 is expected to result in increased DMHC contracting costs due to IMR review organizations being required to include medical consultants with specialized clinical expertise as specified in this bill. These costs are expected to amount to $196,000 annually. In summary, DMHC costs would be $128,000 in 2012-13 and $299,000 in 2013-14 and annually thereafter. All costs would be funded from DMHC's Managed Care Fund.

The California Department of Insurance (CDI) would incur one-time costs of $45,000 in 2012-13 relating to consulting services to develop a Feasibility Study Report (FSR) to be submitted to the California Technology Agency to modify its database to reflect this bill's requirements. CDI would incur one-time costs of $416,000 for 3.0 positions and consulting services to implement the new database for IMR in 2014-15. It should be noted that CDI's IT costs are higher than DMHC's due to CDI's use of an older Oracle legacy system that is more costly to modify. This bill's provisions relating to ongoing costs would become effective July 1, 2015 upon expiration of CDI's contract their current IMR contractor. Thus, DMHC would incur ongoing costs of $100,000 equivalent to 1.0 position annually beginning in 2015-16 related to addtional IMR data entry and maintenance of the new database. In summary, DMHC costs would be $45,000 in 2012-13, and $416,000 in 2014-15 and $100,000 annually thereafter. All costs would be funded from CDI's Insurance Fund.

COMMENTS

The Department of Finance is opposed to this bill for the following reasons:

- This bill is unnecessary. Many of the reforms enumerated in this bill, such as the use of clinician experts knowledgeable about the treatment of the enrollee's medical condition through actual clinical experience, could be implemented without legislation and addressed through regulations or during contract negotiations with IMR consultants.

Analyst/Principal (0562) A.Bazos	Date	Program Budget Manager Ken DaRosa	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved Position Disapproved

COMMENTS (continued)

- Federal health care reform establishes requirements for internal and external appeals of coverage determinations and claims, including for self-insured plans not subject to state regulation. State IMR programs must meet federal requirements. California is one of 23 states that meet the minimum requirements for coverage determination appeals under federal health care reform. While the intent of this bill is laudable, compliance with these requirements demonstrate that the state's IMR programs are operating effectively.

IMR was initially established in California in the mid 1990s in response to high profile cases involving emerging expensive treatments that raised questions about health plan coverage decisions. IMR is an independent third-party review process provided to enrollees by all plans and insurers regulated by DMHC and CDI to resolve cases where services or claims have been denied or delayed based upon a finding that the proposed service is not medically necessary, unnecessary emergency care, or experimental treatments. State law requires enrollees to attempt to resolve disputes through the plan or insurer's internal grievance process before seeking the external IMR through DMHC or CDI.

According to the author's office, this bill is based upon issues raised in a January 2012 report on IMR by the California HealthCare Foundation (CHCF) which evaluated over 10 years of IMR cases in California. The CHCF IMR report identified the following trends: In 56 percent of the IMRs, the appeal was requested for a female, while in 44 percent it was for a male. California's IMR cases increased by age, peaking in the 41 to 60 year old age bracket. Just over half of all IMR cases involved one of four diagnosis categories: orthopedics, neurology, mental health, or cancer. The specific treatments and services varied but most commonly fell into four categories: surgery, pharmacy, diagnostic imaging, and durable medical equipment. Forty-six percent of IMR cases in 2010 were overturned in favor of the enrollee/insured. The review found that IMR cases clustered around situations where best treatment practices for a particular disease are unsettled in the medical community. The study revealed that there is (1) inconsistent IMR case resolution for similar cases; (2) lack of clarity and transparency regarding the basis for decisions made by IMR reviewers; and (3) evidence that the qualifications and training of IMR reviewers may be poorly matched to the cases they review.

This bill would reform the IMR process administered by DMHC and CDI through enactment of the following:

- Make the existing IMR framework inoperative on the later of January 1, 2013, or the termination date of DMHC's and CDI's IMR consultant contracts and makes operative a revised framework according to this bill.
- Require the DMHC and CDI notification to enrollees regarding the enrollee's or insureds grievance to collect information on the enrollee's ethnicity, race, and primary language spoken.
- Require medical professionals conducting IMRs to be a clinician expert in the treatment of the enrollee's medical condition and knowledgeable about the proposed treatment through recent or current actual clinical experience treating patients with the same or similar condition.
- Maintain the name of the plan or insurer along with the director's IMR decision in a searchable database on the Website of each department, and requires the database to include additional information on the IMR including age and gender; diagnosis and disputed health care services; whether the medically necessary services or for experimental or investigational therapies; whether the IMR was standard or expedited; length of time from IMR receipt to determination; and credentials and qualifications of the reviewer or reviewers.

BILL ANALYSIS--(CONTINUED) **Form DF-43**

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Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year) (Dollars in Thousands) PROP 98	FC	2012-2013	FC	2013-2014	FC	2014-2015	Fund Code
0845/Insurance	SO	No	C	45	A	--	C	416	0217
4150/MngedHltCare	SO	No	C	128	C	299	C	299	0933

Fund Code	Title
0217	Insurance Fund
0933	Managed Care Fund